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THE MID-SOUTH  
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DEACON TURNER  
SANFORD C. BERNSTEIN & CO.  
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March 23, 1999

GLORIA GUERRERO  
PRESIDENT/CEO

Office of the Fiscal Assistant Secretary  
US Department of Treasury, Room 2112  
1500 Pennsylvania Avenue, NW  
Washington DC 20220

To Whom it May Concern:

On behalf of the Rural Development & Finance Corporation (RDFC), a private nonprofit intermediary which supports community and economic development in rural areas, I am writing to strongly oppose any involvement of check cashers, pawn shops, and other non-federally insured institutions in the EFT (Electronic Funds Transfer) program. This includes so-called voluntary accounts outside of the ETA (Electronic Transfer Account) option.

Judicious implementation of the EFT program could benefit working class and minority individuals and communities if it encourages a number of "unbanked" individuals to establish accounts with banks or thrifts. These business relationships could lead to more home and small business lending in traditionally underserved communities.

However, if check cashers and other non-federally insured institutions participate in the EFT program, the "unbanked" population receiving EFT will be pushed further away from mainstream financial institutions. Many members of the "unbanked" population will be subject to usurious interest rates and fees of check cashers and pay day lenders that range from 50 to 500 percent. This is egregious exploitation of a vulnerable population.

The Treasury Department, in its request for comments, documents that existing arrangements between banks and "third party payment providers" include a \$4 enrollment fee, a \$5.50 monthly maintenance fee, and a \$1 fee for each withdrawal or balance inquiry. This is more than three times the monthly fee of \$3 proposed by Treasury for the basic ETA account to be offered by banks and thrifts.

#### HEADQUARTERS

711 NAVARRO STREET  
SUITE 350  
SAN ANTONIO TX 78205  
PHONE 210-212-4552  
FAX 210-212-9159

#### SOUTHEAST OFFICE

755 TIBIDABO AVENUE  
CORAL GABLES, FL 33143  
PHONE 305-665-0103  
FAX 305-666-2143

ELECTRONIC MAIL  
RDFC@DCCI.COM

WEBSITE/INTERNET  
WWW.RDFC.DCCI.COM

184  
3/2

Office of the Fiscal Assistant Secretary  
EFT Program Comments  
March 23, 1999  
Page Two

An EFT system allowing fringe bankers will result in a wealth-drain from underserved communities. The small savings that members of the unbanked population have been able to accumulate will be sucked away by the unsavory practices of pay day lenders, check cashers, and other predatory actors in the fringe banking world. This would eat away at the progress in reinvestment policies stimulated by CRA and the nation's fair lending laws.

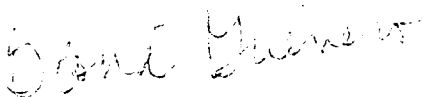
Fringe bankers do not need the federal government's help in grabbing market share in minority and working class communities. Several studies have documented that check cashers already dominate in minority neighborhoods. This pattern of predatory behavior is repeated in rural areas, where there is even less access to credit.

The Treasury Department should be employing every policy tool at its disposal to reverse this higher market presence of check cashing outlets. If Treasury provides non-federally insured institutions with access to a captive market of millions of unbanked recipients of federal benefits and wages, the market penetration of check cashers in underserved neighborhoods will truly dwarf that of banks and thrifts. In contrast, if Treasury restricts EFT to federally-insured institutions, banks and thrifts can begin to regain market share in traditionally underserved neighborhoods.

Unscrupulous and exploitative practices of pay day lenders, pawn shops, check cashers, subprime lenders, and other non-federally insured lenders have been increased significantly in the last few years. If the Treasury Department wishes to support the reinvestment stimulated by CRA and the fair lending laws, it needs to prohibit non-federally insured institutions from participating in the EFT system.

Thank you for considering our views on this important issue.

Sincerely,



Gloria Guerrero  
President/CEO

185